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Soviets need summit more than U.S.

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MOSCOW — The Russians, according to a ranking U.S. diplomat here, only want to talk to the Americans when they want something, "so you keep your door open and your defenses up."

In Washington, an elder statesman of the Nixon administration sees things a little differently. The Russians only want to talk when they have problems, he says, so you keep the door closed until you can wring major concessions out of them.

The Reagan administration has adopted a little of both strategies in preparing for another summit with Mikhail Gorbachev. It is keeping the door open, while reminding the Soviets that they need the summit more than Washington, despite their harsh rhetoric about U.S. action in Libya.

Moscow certainly has a host of problems that cannot be solved by Mr. Gorbachev's simple admonition to his countrymen — made at the recent 27th Party Congress — to work harder, drink less and produce more. A splurge of "openness" in the Soviet press about corruption, alcoholism and drug addiction reveals only the tip of the iceberg.

Corruption has become so endemic in the Soviet system that western analysts estimate 30 percent of the nation's consumer goods are diverted to the black market. In a tacit admission that this "parallel economy" is unbeatable, the Kremlin appears ready to legitimize it with a pricing system that would reserve 30 percent of production for what amounts to an open market.

The Soviet Union has 40 million medically certifiable alcoholics who are costing the state, by western estimate, three to four percentage points in annual GNP growth. U.S. diplomats say the Soviets are experimenting with "some very imaginative programs" to cure this malaise, including shorter liquor store hours and stiffer penalties for drinking on the job or in public.

But the most imaginative cure of all would be to change the system itself, since it offers its depressed citizens few diversions other than the vodka bottle.

If that is taken away, as it has been periodically tried in the past, there

will be a boom in the illicit home brew industry — and a sharp rise in casualties from alcohol poisoning. Even in normal times, Russians are notorious for distilling a variety of virulent potions that fall in the category of "samagon," bathtub vodka, and their use of wood alcohol, anti-freeze and other lethal substances accounts for an incredible number of deaths and cases of paralysis.

Strictures on drinking may also aggravate a small but growing drug problem. The Soviet press has acknowledged for the first time that there is drug addiction in the "workers' paradise." Earlier this month the Moscow party committee called for a "struggle against narcotics" among the capital's young people, particularly the spoiled children of well-heeled apparatchiks, who are getting high on prescription drugs sold under the counter by pharmacists and hospital personnel.

So far there has been no official mention of drugs brought back from Afghanistan by Russian soldiers. But diplomats say the one million or so veterans who have returned from that conflict are suffering a "horri-fying" addiction rate.

Afghanistan has clearly become the Kremlin's Vietnam. The Soviet Union has to maintain 150,000 troops

there to prevent a massacre of its friends by the Afghan resistance. The communist party in Kabul, meanwhile, is split between two factions — Babrak Karmal's ruling Parchami wing and the Khalki wing, left leaderless by the assassination of its principals but still beyond Moscow's control.

Mr. Gorbachev's biggest problem, however, is the Soviet economy, now reeling from an oil crisis. Falling oil production, high domestic consumption and delivery commitments to Eastern Europe have combined to cut the amount of oil available for export in return for hard currencies by about half, while prices have dropped to a third of their November level.

The Soviet Union is the world's largest oil producer and depends on oil for 60 percent of its hard currency earnings — used to import western grain, modern machinery

and high technology. But Soviet oil production began to stagnate in 1983, falling from a peak of 613 million tons to 595 million tons last year.

Even before the price collapse, intelligence sources estimated that Soviet oil earnings would be cut by \$28 billion between 1986 and 1990. If the world price does not recover, that figure would be multiplied by three and the results would be disastrous.

Mr. Gorbachev had hoped to increase investment in the oil industry by 30 percent this year, primarily to increase production, but he will not be able to do so without denying money to other high-priority sectors — particularly the modernization of creaky Soviet industries that now consume so much Soviet fuel.

The only alternative to energy saving would be to reduce oil deliveries to the factories, leading to further production cuts in a five-year plan that demands above-average growth.

Mr. Gorbachev can try to borrow more from western banks, but he is not likely to have much success. Soviet borrowings rose from \$16 billion in 1984 to \$21 billion by September last year, and the banks are already imposing stiffer terms on loans to the Russians.

Mr. Gorbachev could sell more gold, diamonds and platinum, but this would put him in embarrassing competition with South Africa. The South Africans are already selling as much as they can to reduce their own deficits, and a surge in Soviet exports would lower the prices of these commodities. Diplomats say the Russians are not interested in selling more gold, now hovering around \$350 an ounce, until the price hits \$420.

Mr. Gorbachev could reduce oil sales to Eastern Europe or try to barter arms for Middle East oil. But this would cause trouble among the Comecon partners, who depend heavily on the Soviet Union for their energy needs, and he is unlikely to find any takers for barter deals. The Arab oil producers are as eager for cash as the Russians these days.

With so little room to maneuver, all Mr. Gorbachev can really do is try to extract more oil and natural gas out of the hostile taiga of western Siberia. For this he needs western technology — and consequently, an

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easing of tensions with his nation's chief rival, the United States.

This gives the Reagan administration a tremendous advantage in dealing with the Russians. "They are weaker now than at any time since the late 1950s," said one former foreign policy planner. "Instead of worrying just about strategic items like computers, we should deny them oil technology — or demand major concessions on Afghanistan and Nicaragua in exchange for help in this field. That's where they're really hurting."

The State Department, however, does not believe in economic warfare. The U.S. Embassy here has recommended against, as one diplomat put it, "basing our policy on what effect it would have on theirs." Instead it spends an inordinate amount of time trying to "open up" the closed Soviet society with cultural exchanges such as the recent visit of pianist Vladimir Horowitz.

Secretary of State George Shultz, in fact, believes that the more technology the Soviets acquire the more liberties they will grant their people. In a speech he made in Paris last March to Stanford alumni, Mr.

Shultz said such things as computers, videotape machines and direct dial phones will "undermine the state's control over its people, what they read, watch, hear and aspire to," creating a more open society.

A more hawkish foreign policy expert from a previous administration thinks this is a mistake. He contends the United States should be less preoccupied with opening up Soviet society than it is in protecting American interests — and it is in the American interest to keep the Soviet Union so weak and economically backward it will ultimately be forced to scrap the entire communist system.

After 68 years of Marxism-Leninism, the Soviet Union has not kept up with the rest of the world in anything except military development — and that only by devoting 14 per cent of GNP to defense spending. "Apart from defense, the rest of Russia never got out of the 19th Century," said one U.S. diplomat. "The industrial revolution never had a chance to take hold here."

Like his predecessors, Mr. Gorbachev has vowed to correct this. And, like his predecessors, he is destined to fail unless he institutes radical changes that would unravel the party's system of strict centralized control.

To achieve the type of economic growth he wants, Mr. Gorbachev will have to introduce a market system that would take power away from the party and put it in the hands of the managers. Other East Bloc countries have already done this, to a limited degree, but the Soviet leadership has always shied away from such moves.

Promotion based on ideology, not merit, has always been a cornerstone of the Soviet doctrine.

"The crunch will come in three or four years," said a high-ranking diplomat here, "when the Soviets realize that the methods they are experimenting with cannot work without serious institutional changes. If they opt for orthodoxy, authoritarianism, instead of making such changes you'll see an economic collapse."